

# **BRIDGEND COUNTY BOROUGH COUNCIL**

## **REPORT TO AUDIT COMMITTEE**

**8 AUGUST 2019**

### **REPORT OF THE HEAD OF THE REGIONAL INTERNAL AUDIT SERVICE**

#### **CORPORATE FRAUD REVIEW 2018-19 & NATIONAL FRAUD INITIATIVE UPDATE**

##### **1. Purpose of report**

- 1.1 To provide Members with a summary of how the Council manages the risk of fraud with an aim of prevention, detection and subsequent investigation and reporting of fraud. In addition to provide Members with an update to the latest National Fraud Initiative (NFI) Exercise.

##### **2. Connection to corporate improvement objectives/other corporate priorities**

- 2.1 This report assists in the achievement of the following corporate priority/priorities:
- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

##### **3. Background**

- 3.1 One of the Core functions of an effective Audit Committee is:
- To consider the effectiveness of the Council's Risk Management arrangements, the control environment and associated anti-fraud and corruption arrangements.
- 3.2 Therefore, this report is focused on updating the Committee on the arrangements in place for Corporate Fraud.
- 3.3 The challenge presented to Councils by fraud is significant. As stated in the "The Local Government Counter Fraud and Corruption Strategy 2016-19" (usually known as Fighting Fraud and Corruption Locally), it is estimated that fraud cost councils around £2.1 billion each year and some reports produced by other organisations suggest that this figure could actually be higher.
- 3.4 The impact of fraud should never be underestimated. Fraud leaves the Council with less to spend on services for residents and costs taxpayers money. Fraud against a local council is not a victimless crime. There is not only the lost/stolen money to consider but also the loss of working time investigating and correcting issues, liaising with police and lawyers, any subsequent court costs, increased insurance premiums, reputational damage for individuals or the Council as a whole and poor staff morale.
- 3.5 The Council sets high standards for both Members and Officers in the operation and administration of the Council's affairs and has always dealt with any allegations or

suspicious of fraud, bribery and corruption promptly. It has in place policies, procedures and reporting mechanisms to prevent, detect and report on fraud, bribery and corruption. These include the Fraud Strategy and Framework, a Whistleblowing Policy, ICT Code of Conduct and the Anti-Fraud and Bribery Policy.

- 3.6 The Fraud Strategy and Framework 2018/19 to 2020/21 was reviewed and reported to Audit Committee in January 2019 and it continues to underpin the Council's commitment to prevent all forms of fraud, bribery and corruption, whether it be attempted externally or from within. There has been no new guidance since this date and therefore no changes are proposed to the existing strategy.

#### **4. Current situation/proposal**

##### **4.1 Action Plan - Proactive Work**

The Fraud Strategy and Framework includes reactive and proactive work and the proactive work was presented in an action plan which sets out the developments the Council proposes over the medium term future to further improve its resilience to fraud and corruption. The Action Plan is attached at **Appendix A** and has been updated to illustrate the progress being made.

- 4.2 It can be seen that initial work has commenced to create a Fraud Risk Register template and an NFI awareness and training session has been held for key officers across the Council. A schools anti-fraud toolkit is being compiled together with a supporting self-assessment health check with a view to them being rolled out to schools.

##### **4.3 National Fraud Initiative - 2016 & 2018 Exercises**

One activity included on the Action Plan is the National Fraud Initiative (NFI). This is a biennial exercise coordinated in Wales by the Wales Audit Office whereby data is extracted from the Council's systems and reports. These are matched against data submitted from other bodies such as other Local Authorities, DWP, NHS & Trusts, Police and Housing Associations etc. It is important to note that where a match is found, it is not in itself evidence of a fraud, it may be an error or an inconsistency that requires further investigation.

- 4.4 The 2016 data matching exercise has now been concluded. Of significance for Bridgend County Borough Council were the results of the NFI matches showing individuals in receipt of Single Person Discount (SPD). This match identified discrepancies between the electoral register and council tax records, highlighting where single person discount has been incorrectly claimed and paid. Investigations into the matches identified 435 claims where claimants had not or were no longer entitled to a discount. The amount overclaimed amounted to £245,175 of which £89,931 is being recovered. The cancellation of these claims has also increased the council-tax revenue being collected going forward. This result has been used nationally by the WAO as an example of success.

- 4.5 The most recent data matching exercise was undertaken in September 2018 and the matches were released in January 2019. A total of 2,034 matches across areas including housing benefit, payroll, blue badges, personal budgets, care homes, licencing have been identified, of these, approximately 1,000 have been categorised as high or medium risk. In addition another 6,160 creditor and council tax to single

person discount matches have been issued. The review of these 2018 data matches is on-going and so far 729 have been reviewed with a total value of £39,576 being identified as potential fraud or error with £15,522 having been recovered.

4.6 NFI also provides access to AppCheck which has been designed as a fraud prevention tool, enabling public bodies to undertake real time checks for potential fraud within applications for benefits and services. AppCheck helps prevent fraud entering the system, thereby avoiding costly investigations and recovery action which is needed once fraudulent claims are in payment. It is intended to roll out this tool across service areas of the Council.

#### 4.7 Internal Fraud & Corruption Work

During the financial year 2018/19, 5 reviews of this nature were undertaken as illustrated in Table 1.

**Table 1 – Internal Fraud & Corruption Work Undertaken by Internal Audit 2018/19**

Potential Fraud	Resulting Action
Potential Misuse of PCard	Limited Assurance – matter referred to the Police - ongoing
Bank Account – Standing Order	Prevented due to adequate controls already in place and operational
Grievance NI underpayment	This matter was undertaken under the Council’s Grievance Policy on behalf of HR and is now complete
Management oversight	This matter is now complete and dealt with internally.
Grievance Appeal	This matter is now completed and upheld
<b>Total Cases (5)</b>	

4.8 This work was generated in a number of ways, by whistleblowing referrals whereby a fact finding exercise was undertaken to verify the information provided to determine if there are issues; by Managers who may have concerns over a certain issue or individual or as a result of an audit review. Some of these reviews resulted in an assurance opinion being provided whereas others were of a fact finding nature and findings are passed onto a Determining Officer acting under the Council's disciplinary or grievance policy. One instance has been referred to the police and is an ongoing police investigation.

#### 5. Effect upon policy framework and procedure rules

5.1 There is no effect upon the policy framework and procedure rules.

#### 6. Equality Impact Assessment

6.1 There are no equality implications arising from this report.

#### 7. Well-being of Future Generations (Wales) Act 2015 implications

7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

## **8. Financial implications**

- 8.1 Effective Audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

## **9. Recommendation**

- 9.1 Members are asked to note this report, the measures in place and the work being undertaken to prevent and detect fraud and error.

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**8<sup>th</sup> August 2019**

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### **Background Documents**

None